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ANTHES IMPERIAL LIMITED

ANTHES

ANNUAL REPORT 1965

Highlights	1965	1964
Sales	$78,900,000	*$78,200,000
Income for year	3,810,419	2,552,970
Earnings per common share	1.77	1.18
Dividends declared per common share	.50	.34
Working capital	18,694,682	16,455,036
Total assets	$46,327,424	$44,011,961

Unless designated otherwise, all figures in this report are expressed in Canadian dollars.

*Includes $10,100,000 sales of Heater and Tank Division, Chicago—operations discontinued commencing 1965.

The Anthes Company

Anthes Imperial Limited is a diversified Company which provides products and services to many important markets in Canada and the United States—construction, petroleum marketing, industrial, consumer, dairy, commercial and institutional. The Company participates in world markets through ownership interests in foreign companies and by exporting products from North America.

Anthes Imperial's goals for corporate growth, enhanced earnings and financial stability are achieved through sound management practices with emphasis on long range corporate planning and programs for acquisition and new product development.

Anthes Men

The success of any company in achieving its goals depends on the calibre of its management group. Anthes Imperial Limited has many competent managers who, working effectively together, are responsible for the Company's progress. This Annual Report features photographs of a number of our senior management men.

Anthes Imperial Limited Annual Report 1965

March 1, 1966

Head Office: St. Catharines, Ontario

Operating Divisions	Main Offices and Plants
Canada	
Anthes Eastern	St. Catharines, Ontario; St. Jean, Quebec
Anthes Western	Winnipeg, Manitoba; Edmonton, Alberta; Calgary, Alberta
Penberthy Injector	St. Catharines, Ontario
Anthes Steel Products	Toronto, Ontario
Sarnia Scaffolds	St. Catharines, Ontario
Sarnia Hoists	Toronto, Ontario
Love & McDougall	Toronto, Ontario
National Oxygen	Oakville, Ontario
Office Specialty	Newmarket, Ontario; Holland Landing, Ontario
Arco Automatic Retail	Toronto, Ontario
John Wood	Toronto, Ontario; Winnipeg, Manitoba
United States	
John Wood	East Orange, New Jersey
Bennett Pump	Muskegon and Hart, Michigan
Industrial Products	Conshohocken, Pennsylvania; Midland Park, New Jersey
Superior Metalware	St. Paul, Minnesota
Overseas Marketing Subsidiaries	
John Wood International Corporation	New York, New York
John Wood Pan American Corporation	New York, New York
Affiliated Companies	
Bennett-Bergomi S.p.A.	Milano, Italy
Bennett & Sauser AG.	Solothurn, Switzerland
John Wood Universal, S.A.	Zurich, Switzerland
Guillermo Murguia, S.A.	Mexico City, Mexico
Industrias Guillermo Murguia, S.A.	Mexico City, Mexico

Auditors

Clarkson, Gordon & Co., Toronto

Registrar and Transfer Agents

National Trust Company, Limited—Toronto, Montreal, Winnipeg, Calgary, Vancouver

Toronto Stock Exchange Listing

Class A and B Common Shares. Series B and C First Preferred Shares

Contents

Anthes Imperial Limited

Directors

*H. N. Bawden
Director, Dominion Securities Corp. Ltd., Toronto, Ont.

*T. S. Drake
Vice-president, Corporate Planning, St. Catharines, Ont.

*C. B. Hill
Chairman, ETF Tools Ltd., St. Catharines, Ont.

J. P. Hudson
Assistant to the President, St. Catharines, Ont.

C. E. Isard
Chairman, Isard, Robertson and Co. Ltd., London, Ont.

†D. Lakie
Vice-president, Newmarket, Ont.

*E. H. Orser
Vice-president and Treasurer, St. Catharines, Ont.

F. H. Sobey
Chairman, Sobeys Stores Limited, Stellarton, N.S.

J. H. Thomson, Q.C.
Partner, Miller, Thomson, Hicks, Sedgewick, Lewis & Healy, Toronto, Ont.

Hon. G. S. Thorvaldson, Q.C.
Partner, Thorvaldson, Eggertson, Saunders & Mauro, Winnipeg, Man.

G. B. Waterman
Vice-president, St. Catharines, Ont.

*D. G. Willmot
President, St. Catharines, Ont.

*Member of Executive Committee
†Effective February 10, 1966

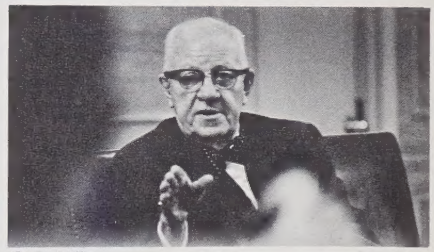
Officers

D. G. Willmot, President
T. S. Drake, Vice-president, Corporate Planning
D. Lakie, Vice-president
E. H. Orser, Vice-president and Treasurer
R. J. Stuart, Vice-president, Industrial Relations
G. B. Waterman, Vice-president
J. B. Jolley, Secretary and Counsel
M. C. Payne, Assistant Secretary-treasurer


H. N. Bawden


D. G. Willmot


T. S. Drake


C. B. Hill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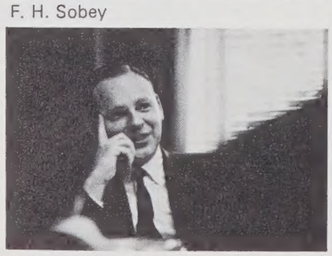

D. Lakie


G. B. Waterman


J. H. Thomson, Q.C.


Hon. G. S. Thorvaldson

We are pleased to submit consolidated financial statements together with comments on operations which reflect a record level of activity and earnings for our financial year ended December 31, 1965. All divisions of Anthes Imperial Limited are consolidated in these statements and all amounts are expressed in Canadian dollars unless otherwise designated.

Sales and Income

High rates of expansion were experienced in all sectors of business in both Canada and the United States during 1965 and sales for the majority of our divisions were higher than in 1964. Consolidated sales for the year were $78,900,000 compared to $78,200,000 in 1964. Sales of the Heater and Tank Division, Chicago, $10,100,000, are included in the 1964 figures; however, the Division's operations were discontinued in 1965 and there are no sales of this Division in the 1965 figures.

Consolidated income for 1965 was $3,810,419 compared with 1964 income of $2,552,970.

Earnings per common share increased 50% from $1.18 in 1964 to $1.77 in 1965, based on the common shares outstanding at the end of each year and after deducting preferred dividends.

Dividends and Subdivision of Common Shares

You are aware that the subdivision of each common share (both Class "A" and Class "B") into two new common shares was approved at the Annual and Special General Meeting of Shareholders, held on March 25, 1965. Your Directors increased the annual dividend rate from 34¢ per Class "A" common share to 44¢ commencing with the April 15, 1965 dividend, both rates being expressed in terms of the (new) subdivided shares. The annual dividend rate was again increased beginning with the January 15, 1966 dividend to 52¢ per Class "A" common share and an extra dividend of 4¢ per share was added to the 13¢ quarterly dividend paid on January 15, 1966. Your Directors declared the extra dividend because of the excellent operating results for 1965.

All dividends on the Class "B" common shares were increased and adjusted so that Class "B" shareholders received distributions equivalent to those received by Class "A" shareholders.

There is available from the Company's head office in St. Catharines a description of the rights and dividend arrangements attaching to the Company's Class "A" and Class "B" common shares. Because there is an income tax advantage in holding Class "B" common shares to shareholders in certain tax brackets, you are invited to obtain such information from the Company's Secretary for the guidance of yourself or your tax advisors.

Acquisitions

During 1965 your Company acquired interests in two associated companies in Mexico. One of these companies manufactures and assembles service station equipment including Bennett pumps (under licence). The other company distributes Bennett and other lines of service station equipment, small tools and accessories in Mexico and certain other Latin American countries.

On December 31, 1965, the assets and business of Northeast Industries, Inc. of Midland Park, New Jersey, were acquired. This company manufactures portable industrial cleaning equipment, including steam cleaners, pressure washers and sand blasters. This acquisition expands the activities of the Industrial Products Division into a new market and provides an opportunity for the Conshohocken plant to produce components for the Northeast equipment line.

As part of our programme to expand the business of the Office Specialty Division, which serves the markets for office furniture, filing equipment and business forms, Egry Business Systems Limited has been acquired. This company, located in Metropolitan Toronto, manufactures register forms, snap sets and continuous forms for distribution across Canada. Egry Business Systems Limited was formerly a wholly-owned Canadian subsidiary of Allied Egry Business Systems Inc. of Dayton, Ohio. This acquisition will form the base of an expanding operation in this product field.

Also during 1965 the Company's vending division, Arco Automatic Retail Co. Limited, through its Montreal Branch, took over the operations of another substantial automatic vending company in that city and this has resulted in increased volume and improved results in Montreal.

For several years the Company owned interests in Powertronic Equipment Limited and Burlec Sales Limited, two Toronto companies engineering and selling electronic equipment. Your Directors decided it was no longer desirable for Anthes

Imperial to continue in this business and our interests in these companies were sold during 1965.

Mr. David Russell

We deeply regret the sudden passing on December 19, 1965, of Mr. David Russell, Senior Vice-president and Director. He had been associated with the Company in a senior capacity for sixteen years and throughout that time made an impressive contribution to the Company's growth and success. He was not only an outstanding businessman but also possessed personal qualities of integrity, conscientiousness and warmth which have inspired a feeling of respect and affection in the memory of his many associates.

Organization and Personnel

Early in 1966 two new companies were incorporated—Anthes Eastern Limited (including Eastern Canada sales and manufacturing at St. Catharines and Paquette Foundry, St. Jean, Quebec) and Anthes Western Limited (including all sales in Western Canada and manufacturing plants at Winnipeg, Edmonton and Calgary). The purpose of this change is to more clearly identify these operations and their products with customers and the construction industry and thus distinguish them from the parent company with its broader interests.

We are pleased to acknowledge the appointment of two new officers of the parent company. Mr. David Lakie, formerly Vice-president and General Manager of Office Specialty, has been appointed Vice-president of Anthes Imperial Limited and also elected a member of the Board of Directors on February 10, 1966. Mr. Robert J. Stuart, Vice-president, Industrial Relations, John Wood Company, has been appointed Vice-president, Industrial Relations, for Anthes Imperial Limited and his responsibilities now include all divisions of the Company.

The Company's success is due to the continuing loyalty and interest of its many employees. We again wish to express our thanks to every person on the staffs of all divisions of the Company for their efforts during 1965.

Prospects for 1966

Activity in most sectors of business, especially manufacturing, in Canada and the United States now is running close to capacity. Warnings about the delicate balance between growth and inflation have been sounded and certain moderating monetary policies have been introduced in both countries.

We share the concern about the competitive position of Canadian secondary manufacturing in the future and believe that we can only maintain our competitive position through sustained gains in productivity. As the result of Anthes Imperial's growth and diversification in recent years the Company has the advantage of carrying on operations in the United States as well as Canada and participating in business activities in foreign countries.

We agree with economic forecasts predicting continued growth in 1966 although the rate of increase in certain sectors of the Canadian and United States economies may not be as high as in 1965. We have forecasted our 1966 activities on such a basis and therefore expect an increase in sales volume and income.

On behalf of the Board of Directors,

President

St. Catharines, Ontario, February 11, 1966

Consolidated Statement of Income and Retained Earnings

Year ended December 31

	1965	1964
Sales	$78,900,000	*$78,200,000
Income before deducting depreciation, interest on long term debt, and income taxes (including investment income of $45,626 in 1965 and $111,140 in 1964)	$10,653,740	$ 8,207,547
Deduct:		
Depreciation (note 2)	2,033,882	2,233,012
Interest on long term debt (including amortization of debenture discount)	637,939	742,565
	2,671,821	2,975,577
Income before income taxes	7,981,919	5,231,970
Income taxes	4,171,500	2,679,000
Income for year	**3,810,419**	**2,552,970**
Retained earnings, beginning of year	6,987,868	6,071,851
	10,798,287	8,624,821
Deduct:		
Dividends declared—		
Preferred Shares	392,520	314,349
Common Shares (including stock dividends on Class B shares and special tax thereon)	965,512	642,163
	1,358,032	956,512
Cost of intangible assets on acquisitions (in prior years) of subsidiaries, written off	—	680,441
	1,358,032	1,636,953
Retained earnings, end of year	$ 9,440,255	$ 6,987,868

* Includes $10,100,000 sales of Heater and Tank Division, Chicago—operations discontinued commencing 1965.

See accompanying notes on page 9.

Consolidated Balance Sheet, December 31, 1965

Assets	1965	1964
Current Assets:		
Cash and short term investments	$ 2,022,100	$ 1,182,022
Accounts receivable	11,899,888	11,627,199
Inventories valued at the lower of cost or market—		
Raw materials and supplies	5,628,597	5,013,482
Work in process and finished goods	9,598,723	8,911,149
Prepaid expenses	217,955	380,841
Total current assets	29,367,263	27,114,693
Investment in and Advances to Affiliated Companies at Cost	1,183,378	804,185
Fixed Assets at Cost:		
Land	1,433,079	1,616,692
Buildings	9,639,966	10,501,794
Machinery and equipment	25,554,033	25,180,463
	36,627,078	37,298,949
Less accumulated depreciation	21,231,577	21,711,799
	15,395,501	15,587,150
Other Assets:		
Mortgages	235,659	346,895
Debenture discount and issue expenses less amortization	145,623	159,038
	381,282	505,933
	$46,327,424	$44,011,961

On behalf of the Board:

D. G. Willmot, Director

E. H. Orser, Director

Liabilities	1965	1964
Current Liabilities:		
Bank loans (secured)	$ —	$ 1,350,000
Accounts payable and accrued charges	6,883,838	6,688,549
Taxes payable	3,090,141	2,177,459
Instalments on long term debt due within one year	386,400	290,000
Dividends payable	312,202	153,649
Total current liabilities	10,672,581	10,659,657
Deferred Income Taxes	1,154,375	1,017,016
Long Term Debt (note 3)	10,671,299	11,157,574
Shareholders' Equity:		
Capital		
Authorized (note 4)		
Issued and outstanding (notes 5 and 6):		
8,700 5½% First Preferred Shares, Series A	870,000	870,000
21,070 5½% First Preferred Shares, Series B	2,107,000	2,107,000
43,576 5¼% First Preferred Shares, Series C	4,357,600	4,357,600
1,280,258 Class A, 652,226 Class B Common Shares	7,054,314	6,855,246
Retained earnings (note 7)	9,440,255	6,987,868
Total shareholders' equity	23,829,169	21,177,714
	$46,327,424	$44,011,961

See accompanying notes on page 9.

Consolidated Statement of Source and Application of Funds

Year ended December 31	1965	1964
Source of Funds:		
Income for year	$ 3,810,419	$ 2,552,970
Non-cash charges deducted in arriving at income for year:		
Depreciation	2,033,882	2,233,012
Deferred income taxes	137,359	220,016
Amortization of debenture expenses	13,415	13,928
Funds derived from operations	5,995,075	5,019,926
Term bank loan (U.S. $2,300,000)	—	2,485,699
Proceeds from sale of U.S. properties	1,145,279	320,020
Proceeds from sale of investments in affiliated companies	200,516	—
Proceeds from issue of common shares for cash	199,068	122,936
Mortgage payments received	111,236	63,341
	7,651,174	8,011,922
Application of Funds:		
Cash paid on acquisition of subsidiaries	—	8,870,280
Additions to fixed assets (net)	2,987,512	2,228,633
Dividends	1,358,032	956,512
Decrease in long term debt—non current portion	486,275	290,000
Investment in and advances to affiliated companies	579,709	245,376
	5,411,528	12,590,801
Increase (Decrease)	2,239,646	(4,578,879)
Working capital, beginning of year	16,455,036	8,469,724
Working capital of subsidiaries at dates of acquisition	—	12,564,191
Working capital, end of year	$18,694,682	$16,455,036

See accompanying notes on page 9.

Auditors' Report

To The Shareholders of Anthes Imperial Limited:

We have examined the consolidated balance sheet of Anthes Imperial Limited and its subsidiary companies as at December 31st, 1965 and the consolidated statement of income and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and retained earnings present fairly the financial position of the companies as at December 31st, 1965 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying consolidated statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned consolidated financial statements, presents fairly the sources and applications of funds of the companies for the year ended December 31st, 1965.

Clarkson, Gordon & Co.

Toronto, Canada, February 4, 1966.

Chartered Accountants

1. Foreign exchange

The Company's U.S. dollar current assets and current liabilities have been translated into Canadian dollars at Can. $1 = U.S. 92.6¢. All other U.S. dollar assets and liabilities have been translated at the rate of exchange prevailing at the effective date such assets were acquired or liabilities incurred.

2. Depreciation

Depreciation has been provided on the fixed assets of the companies on a straight line basis at rates estimated to provide fully for the cost of the fixed assets over their useful lives, as follows:

Buildings	2½% and 5%
Machinery and equipment	10%
Vending equipment	8% to 20%
Construction rental equipment	12½% to 20%
Patterns, tools and dies	50%

3. Long term debt

Anthes Imperial Limited:	
6% Sinking Fund Debentures maturing $190,000 annually, with balance due in 1982	$ 4,832,000
Term bank loan maturing in 1967—secured (U.S. $2,300,000)	2,485,699
Office Specialty Limited:	
4½% Serial Debentures, maturing $100,000 annually 1966 to 1970 inclusive	$ 500,000
John Wood Company:	
5¼% note maturing U.S. $180,000 annually commencing in 1966 with balance due in 1977 (U.S. $3,000,000)	3,240,000
	11,057,699
Less instalments due within one year	386,400
	$10,671,299

4. Authorized capital (less redeemed)

Preferred Shares—

$7,727,000 Cumulative Redeemable First Preferred Shares (77,270 shares of $100 each)

$1,385,392 4% Non-cumulative Redeemable Second Preferred Shares (138,539,175 shares of 1¢ each)

Common Shares—

7,000,000, Class A Common Shares without par value

6,000,000, Class B Common Shares without par value

On April 1, 1965 the Company obtained Supplementary Letters Patent authorizing the subdivision of the 3,500,000 Class A Common Shares into 7,000,000 Class A Common Shares and 3,000,000 Class B Common Shares into 6,000,000 Class B Common Shares.

5. Preferred shares

The Cumulative Redeemable First Preferred Shares are redeemable, 5½% Series A at $103 per share. The 5½% Series B are redeemable at $104 per share to December 31, 1968 and the 5¼% Series C at $105.25 to December 31, 1969, and thereafter at reducing amounts.

Under the conditions attaching to the First Preferred Shares the Company is obliged under certain conditions to set aside on January 2 in each year in special accounts on the books of the Company as purchase funds exclusively for the Series A, Series B and Series C Preferred Shares respectively, amounts equal to 3% of the aggregate par value of all such shares originally issued. The amounts so set aside as at January 2, 1966 will total $325,700.

$207,959 par value of Second Preferred Shares (20,795,889 shares) were issued in 1965 as stock dividends on the Class B Common Shares and were subsequently redeemed for cash.

In accordance with Section 61 of the Canada Corporations Act $741,139 of the retained earnings shown has been designated in the books of the Company as capital surplus resulting from redemption of preferred shares.

6. Common shares

During the year—

38,602 Class A Common Shares were issued for a consideration totalling $199,068 under the employee stock option plan.

128,820 Class A Common Shares were converted to Class B Common Shares and 61,810 Class B Common Shares were converted to Class A Common Shares, on a share for share basis.

At December 31, 1965, options to employees were outstanding in respect of Class A Common Shares for 10,120 shares at $3.25 per share, 27,910 shares at $5 per share, 8,482 shares at $7 per share, 27,600 shares at $20 per share, 10,800 shares at $22.25 per share and 2,000 shares at $23.12 per share. 14,160 Class A Common Shares are reserved for further options to employees.

7. Dividend restrictions

Under the conditions attaching to the First Preferred Shares, Series A, B and C, and the 6% Sinking Fund Debentures, the Company in certain circumstances is prohibited from paying dividends, other than stock dividends, on shares ranking junior to the First Preferred Shares. Under the most restrictive of these conditions, Common Share dividends may not reduce consolidated retained earnings to less than $1,750,000.

8. Employees' pensions

Past service costs of employees' pension plans are being funded over periods not exceeding 30 years. The unfunded liability for such past service costs totalled approximately $1,900,000 at December 31, 1965.

9. Directors' remuneration

During the year remuneration paid to directors, including salaries of directors employed by the Company, totalled $262,871.

Financial Commentary

The 1965 consolidated sales figures of $78,900,000 exclude the sales of the Heater and Tank Division, Chicago, which terminated business early in 1965. If sales of the Chicago plant are eliminated from both years, 1965 sales were 16% over 1964. Canadian operations of the Company showed an increase of 12% while sales of the United States divisions were 25% above 1964 (again eliminating Chicago figures). In 1965 sales of the Company's U.S. divisions were one-third of the consolidated total while sales of the Canadian divisions represent two-thirds.

Income as a per cent of sales was 4.8% in 1965 compared to 3.3% in 1964. Total profits earned by Canadian divisions of the Company were higher than 1964 and there was a substantial improvement in the results of operations of the United States divisions.

It will be seen from the Consolidated Statement of Source and Application of Funds that the Company's cash flow (exclusive of non-recurring items) improved from $5,019,926 in 1964 to $5,995,075 in 1965; this represented an increase from $2.48 per common share to $2.90.

Cash and short term investments at the end of 1965 exceeded $2,000,000, with no current bank loans outstanding at that time. The Company's working capital increased by $2,239,646 to $18,694,682 during 1965 and the working capital ratio improved from 2.5 at the end of 1964 to 2.8 at December 31, 1965.

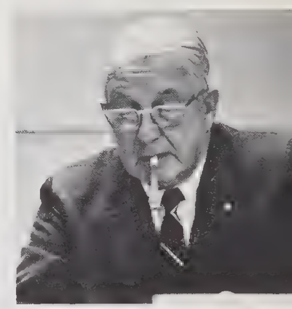
Spending on capital projects during 1965 totalled $2,987,512 (net). The larger projects were the construction of a new 40,000 square foot plant for Anthes Steel Products Division near Toronto, additional rental equipment for Sarnia Scaffolds Division, and extensive tooling for the manufacture of gasoline pumps at Muskegon, Michigan.

Depreciation provided in 1965 was $2,033,882 compared with $2,233,012 in 1964. Differences between depreciation to be claimed for tax purposes and the amounts provided in the Company's records resulted in an increase in "Deferred Income Taxes" of $137,359.

The item "Investment in and Advances to Affiliated Companies at Cost" relates to the Company's interest in other corporations where the interest of Anthes Imperial does not exceed 50%; this is principally the investment in and advances to affiliated companies in Italy, Switzerland and Mexico.

C. H. Watson, Vice-president and General Manager, Anthes Eastern

E. F. Eddy, Vice-President, Corporate Planning, John Wood Company



A. F. Jordan, Senior Vice-presider
John Wood Company

C. E. Woollen, Vice-president and General Manager, Industrial Products

Markets We Serve

Construction

Canada—Activity in all sectors of the Canadian construction industry increased as much as 25% over 1964 and the divisions of the Company whose products are related to this market operated at high levels as a result.

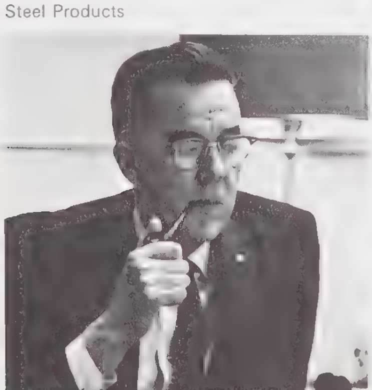
Total 1965 sales of *Anthes Eastern* and *Western Divisions* were higher than 1964. The wider acceptance of "mechanical joint" soil pipe and fittings was reflected in the activity of both Divisions. This product has attracted much interest in the plumbing field because of reduced costs of installation. Also, the use of soil pipe in 10-foot lengths which Anthes introduced in Canada over the last few years is now increasing.

The recently installed pipe spinning equipment at Winnipeg and the mechanized fitting line in Edmonton have resulted in improved costs. An extensive mechanization program for the Eastern Division's *Paquette Foundry* at St. Jean, Quebec, will be completed by mid-1966, thus increasing the Division's production, mainly for the Quebec and Maritimes markets. In addition to grey iron pressure pipe the Calgary plant is now producing ductile iron pipe which offers the advantages of lighter weight and higher strength.

Engineering know-how in equipment application and the availability of a broad range of products contributed to a record year for the *Sarnia Scaffolds* and *Sarnia Hoists Divisions*. In particular, improved sales and rentals of shoring and forming equipment reflected deeper penetration of the heavy engineering construction market. Gains were made in the sales of workmen's and material hoist towers for high rise buildings. Two particularly important projects for these Divisions of the Company are the Toronto-Dominion Centre in Toronto and Place Bonaventure in Montreal. During the year the *Sarnia Scaffolds Division* increased the number of company-owned branches to ten through the acquisition of an equipment rental business in Halifax, Nova Scotia.

A very buoyant construction year in the commercial and apartment building fields produced


D. H. Munro, General Manager, Anthes Steel Products


P. W. Keessen, Vice-president and General Manager, Bennett Pump


D. G. Willmot, President


J. B. Jolley, Secretary and Counsel, Anthes Imperial Limited

higher activity in *Anthes Steel Products Division.* Further penetration of the joist market was achieved, in part because of important new applications in the use of "Allspan" open web steel joists in the construction of high rise apartment buildings. Sales of custom cold roll formed products also showed improvement. The Division's new 40,000 square foot manufacturing plant near Toronto, Ontario, was completed and in full operation by October. Operations at a leased plant were discontinued.

Housing starts in single-family dwellings continued at a high level during 1965. This, together with the promotion of rental plans by major gas and electric utilities, resulted in a record sales volume of automatic gas and electric water heaters produced in the *John Wood* Toronto plant.

United States—In 1965 capital goods spending in the United States showed a marked increase. The Company's *Industrial Products Division* at Conshohocken, Pennsylvania, took advantage of this opportunity and set an all-time record in volume of orders. Improved marketing activity, expanded distribution facilities, high levels of production and cost reduction programmes resulted in better profits. Industrial Products' programme of product development in 1965 resulted in the addition of a line of portable space heaters which are sold through construction and short-line agricultural equipment distributors. At the end of 1965 the Division acquired *Northeast Industries, Inc.,* Midland Park, New Jersey, which manufactures portable industrial cleaning equipment. Its products, such as steam cleaners, pressure washers and sand blasters are marketed primarily to the construction industry, and are compatible with the Industrial Products line. This new line will permit the Division to devote more of its facilities to finished products rather than component parts.

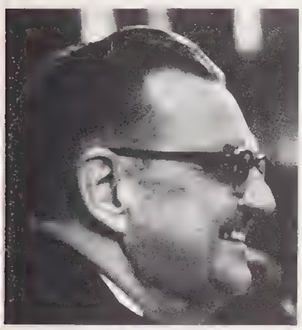
Industrial

Canada—Sales of industrial gases and complementary products by *National Oxygen Division* gained appreciably in 1965. The Division's plant at Oakville, Ontario, ran at capacity and the sales volume of welding supplies was very satisfactory.

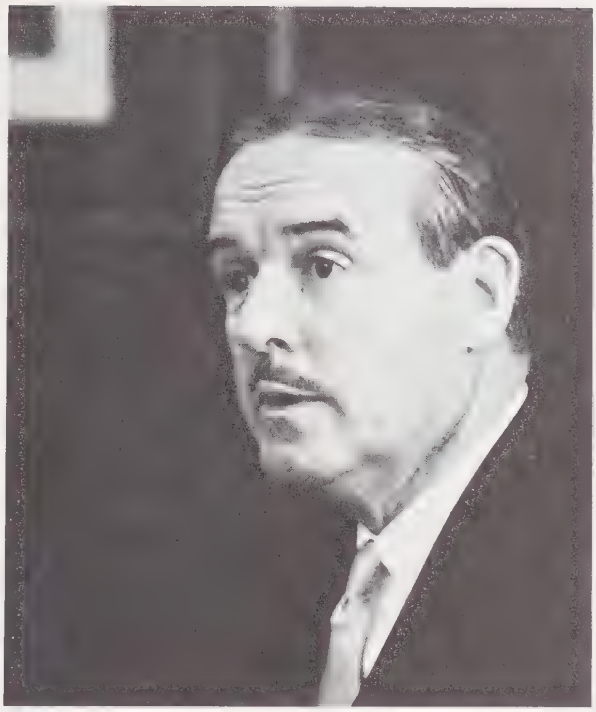
D. E. Washburn, Vice-president and General Manager, Superior Metalware

E. H. Orser, Vice-president and Treasurer

D. Lakie, Vice-president, Anthes Imperial Limited



J. P. Hudson, Assistant to the President, Anthes Imperial Limited



A. M. Aikman, President, John Wood Company Limited

J. C. Wallace, Senior Vice-president, John Wood Company

Levels of sales to industrial customers by the Toronto and Winnipeg plants of *John Wood* were approximately the same as 1964. Volume advanced in custom-designed tanks and propane tanks purchased by industrial and agricultural users in Western Canada.

United States—The volume of tanks sold to industrial and commercial customers by *Industrial Products Division* improved in 1965. In particular, the volume of ASME expansion tanks, water treatment tanks and custom tanks showed good increases.

Petroleum Marketing Equipment

United States—A greater number of gasoline pumps were sold by *Bennett Pump Division* in 1965 because of improved market penetration and higher spending on service station facilities by many petroleum marketing companies. An intensive cost reduction programme in all departments resulted in better profit levels.

Important new product developments include a money-operated gasoline dispensing system with exclusive features, a key-controlled pump installation for truck fleet operations and a remote control pump system used at supermarkets.

There has been a partial recovery from the reduced price levels of the last two years and industry prices appear to be more stable.

Canada—Canadian sales of Bennett gasoline marketing equipment were stimulated by the introduction of a series of remanufactured pumps designed in the Toronto plant of *John Wood* for service station rehabilitation programmes being carried out by most oil companies.

Commercial and Industrial

Gains in *Office Specialty's* sales for 1965 resulted in manufacturing facilities operating at near capacity. Further improvement in plant efficiencies and somewhat better selling prices increased profit appreciably. Additional contemporary furniture products were introduced during the year. Through exclusive representation of Diebold Incorporated, several large and important installations of mechanized filing equipment were sold by Office Specialty. Several possible acquisitions


H. A. Rafuse, Vice-president, Administration, John Wood Company


T. S. Drake, Vice-president, Corporate Planning, Anthes Imperial Limited


W. D. Ostrom, Director of Organization Development

were investigated with a view to capitalizing on the Division's marketing facilities. As a result, *Egry Business Systems Limited* was acquired early in 1966—this is referred to earlier in the Annual Report.

Dairy Industry

The *Superior Metalware Division* showed improvement in both sales and profits during 1965. Sales of all major product lines showed increases over 1964. The direct expansion bulk milk cooler introduced in late 1964 has been well received. The light weight tubular crate for the dairy industry has grown in popularity and now accounts for a substantial portion of milk container crate sales. During 1965 certain changes in senior personnel of this Division strengthened the management group. The Division is conducting an aggressive product development programme which involves major improvements to its present product line and acquisition of new products of a compatible and profitable nature.

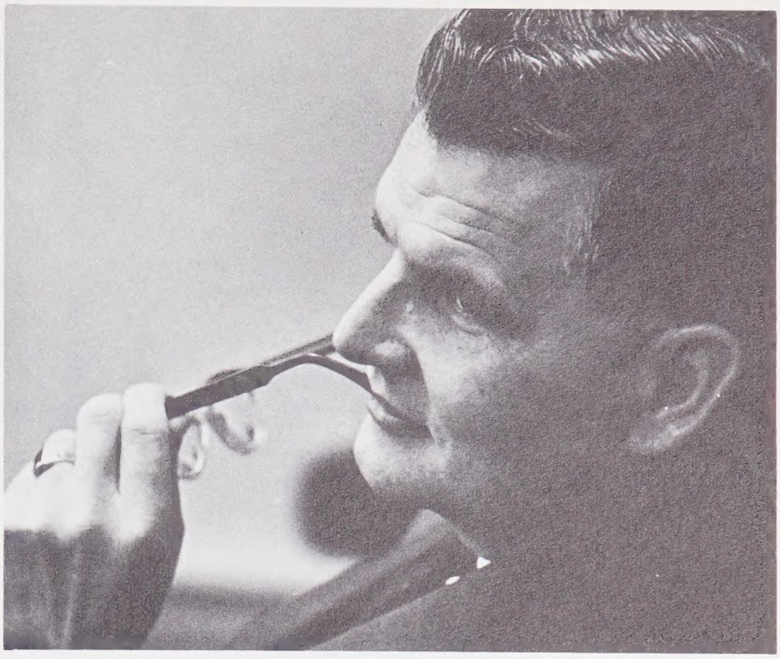
The Superior Metalware Division has been awarded contracts for military material for the U.S. government totalling in excess of $4,500,000 for production during 1966.

Consumer

The sales volume of *Arco Automatic Retail* increased substantially in 1965 because of new marketing and merchandising practices and, in particular, because of assuming the operations of another large automatic vending business in

R. J. Stuart, Vice-president, Industrial Relations

G. B. Waterman, Vice-president, Anthes Imperial Limited



W. A. Farnell, Vice-president and General Manager, Anthes Western

Montreal. The Division earned a profit in 1965 and its operations are benefiting from selectivity in accepting new vending locations. The Division now has soundly established its reputation for providing efficient industrial in-plant feeding.

Export and Foreign Affiliates

The volume of pumps and pump parts exported by *Bennett Pump Division* remained stable in 1965. The Company's foreign affiliates in Italy, Switzerland and Mexico are all operating profitably and a close liaison is maintained with the management of these companies. During 1965 *John Wood Universal, S.A.*, with offices in Zurich, Switzerland, was established in order to consolidate export marketing in the European, African and Near East territories for the products of Bennett Pump and the Italian and Swiss affiliates.

Corporate Planning

The corporate planning function of Anthes Imperial Limited co-ordinates and consolidates forecasts and projections of growth prepared at the divisional level. Long range objectives and forecasts, together with return on investment studies, are prepared annually by the divisions. These are analyzed and reviewed by the corporate planning staff in St. Catharines and East Orange, New Jersey. The corporate planning personnel also conduct regular studies of product lines and industries which may represent opportunities for further diversification. Recently much attention has been given to such reviews of products and industry situations in the United States since the Company's general policy is to emphasize expansion from our present business base in the U.S.

The Company now conducts operations in many locations in North America, exports substantial amounts to foreign customers, and owns interests in companies in Mexico and Europe; therefore, the international aspects of our operations present wider opportunities for new fields of activity.

The acquisitions referred to earlier in this report are examples of the addition of product lines which are compatible with the manufacturing or distribution strengths of Company divisions.

Organization Development

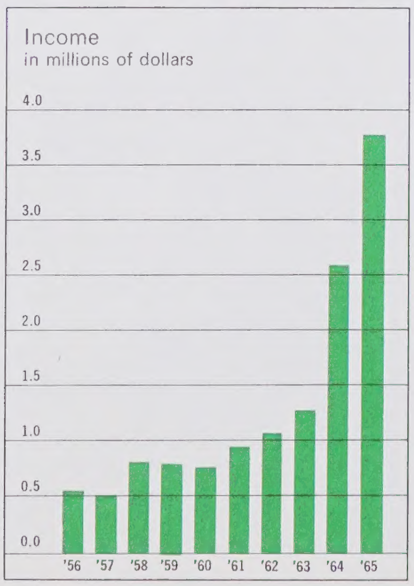
Projection of the Company's organization needs and the systematic planning to staff with qualified men, particularly at the management level, is an important activity in Anthes Imperial Limited. Manpower inventories and forecasts of personnel needs are prepared regularly and these are related to Company goals and objectives. A comprehensive plan emphasizing the training and development of groups of managers as well as career planning for individuals is in operation. During 1965 all senior management positions in the Company were re-evaluated and a new compensation programme for management personnel was introduced in Canada and the United States.

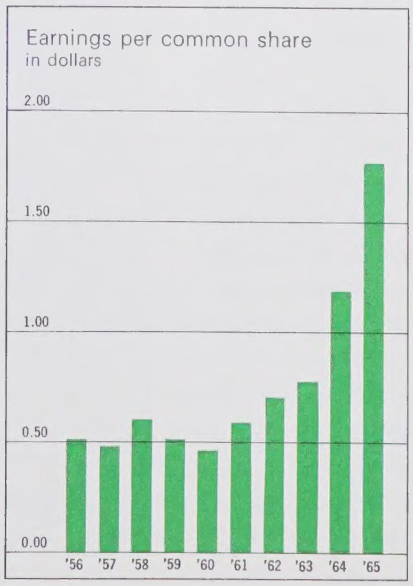
Ten Year Comparison

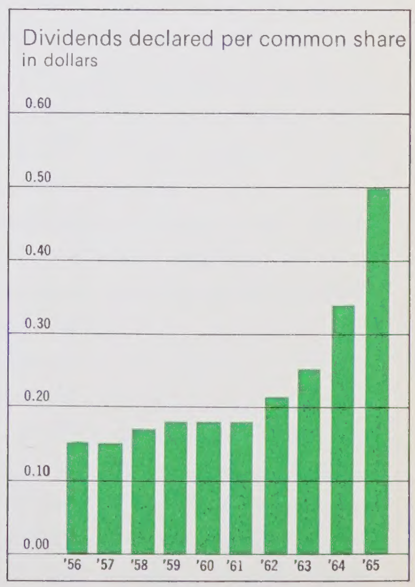
Operating Results	1965	1964	1963
Sales	$78,900,000	$78,200,000**	$29,700,000
Operating income	10,653,740	8,207,547	4,070,337
Depreciation	2,033,882	2,233,012	1,101,155
Interest on long term debt (including discount amortization)	637,939	742,565	367,942
Income taxes	4,171,500	2,679,000	1,312,000
Income for year	3,810,419	2,552,970	1,289,240
Cash flow—funds derived from operations	5,995,075	5,019,926	2,507,837
Shareholders' Participation			
Dividends declared—preferred	$ 392,520	$ 314,349	$ 163,738
Dividends declared—common	965,512	642,163	356,491
Dividends declared—per common share*	.50	.34	.25
Earnings per common share*	1.77	1.18	.79
Cash flow per common share*	2.90	2.48	1.64
Retained earnings	2,452,387	1,596,458	769,011
Common share equity	16,494,569	13,843,114	8,010,801
Equity per common share*	8.54	7.31	5.62
Number of common shares outstanding*	1,932,484	1,893,882	1,425,968
Balance Sheet Items			
Working capital	$18,694,682	$16,455,036	$ 8,469,724
Fixed assets (net)	15,395,501	15,587,150	7,802,154
Additions to fixed assets (net)	2,987,512	2,228,633	1,219,131
Total assets	46,327,424	44,011,961	21,812,968

*Adjusted to reflect the four for one subdivision of common shares in 1962 and the two for one subdivision of common shares in 1965.

**Includes $10,100,000 sales of Heater and Tank Division, Chicago—operations discontinued commencing 1965.

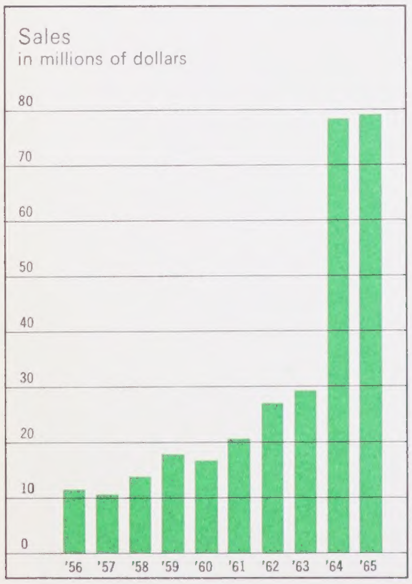


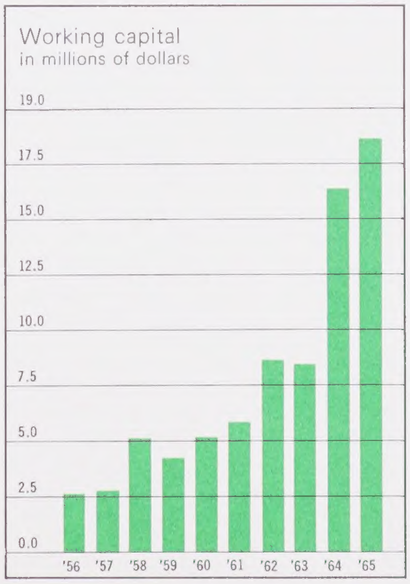


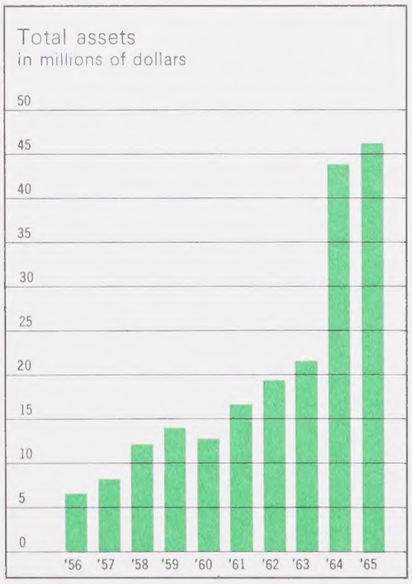


1962	1961	1960	1959	1958	1957	1956
$27,100,000	$20,500,000	$17,300,000	$18,400,000	$14,000,000	$10,900,000	$11,600,000
3,604,726	2,772,921	2,219,321	2,533,432	2,504,461	1,264,651	1,277,699
862,232	754,065	759,645	702,061	764,900	241,819	264,758
342,248	128,877	100,943	107,713	113,218	88,025	44,143
1,255,000	915,600	557,700	907,648	805,000	433,452	450,315
1,145,246	974,379	801,033	816,010	821,343	501,355	518,483
2,117,270	1,914,844	1,548,878	1,605,554	1,545,143	911,476	813,556
$ 164,054	$ 166,239	$ 171,305	$ 153,676	$ 41,975	$ 51,122	$ 52,500
293,196	249,596	243,315	228,678	185,919	138,000	124,500
.21	.18	.18	.18	.17	.15	.15
.71	.58	.47	.51	.61	.49	.51
1.40	1.26	1.02	1.11	1.18	.94	.83
687,996	558,544	386,413	433,656	593,449	312,233	341,483
7,145,860	6,431,968	5,793,726	5,445,309	4,910,723	3,355,399	3,043,166
5.12	4.64	4.28	4.16	3.87	3.65	3.31
1,396,168	1,386,648	1,351,768	1,308,992	1,271,000	920,000	920,000
$ 9,169,573	$ 5,826,431	$ 5,160,066	$ 4,248,977	$ 5,052,777	$ 2,667,563	$ 2,547,334
6,684,542	6,147,759	5,633,898	5,509,788	5,022,478	3,881,453	2,276,147
1,193,659	735,884	2,641†	1,188,171	567,716	1,847,125	1,014,228
19,800,250	16,280,857	12,945,385	14,191,483	12,500,796	8,710,412	6,948,800

†Arising from fixed assets additions $889,614, less proceeds from disposal of fixed assets—$886,973.







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